

**GENERAL ASSEMBLY
RETIREMENT SYSTEM**

**A PENSION TRUST FUND
OF THE STATE OF ILLINOIS**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 1999**

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794 - 9255

Prepared by the
Accounting Division

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INTRODUCTORY SECTION

- Letter of Transmittal
- Administration, Board of Trustees and Administrative Staff
- Certificate of Achievement for Excellence in Financial Reporting



STATE
RETIREMENT
SYSTEMS

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

December 1, 1999

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report of the General Assembly Retirement System, State of Illinois (System) as of and for the fiscal year ended June 30, 1999 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;
2. The Financial Section which contains the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;
3. The Investment Section which contains a report on investment activity, investment policies, investment results and various investment schedules;
4. The Actuarial Section which contains the Actuary's Certification Letter and the results of the annual actuarial valuation;
5. The Statistical Section which contains significant statistical data; and
6. A summary of the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, State Employees' Retirement System and Judges' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include plan

net asset information nor the changes in plan net assets of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY AND SERVICES PROVIDED

The General Assembly Retirement System (System) was established as a public employee retirement system (PERS) by state statute on July 1, 1947. As of June 30, 1948, the end of the System's first fiscal year of operations, there were a total of 190 participants and the plan net assets valued at cost amounted to approximately \$39 thousand. The fair value of plan net assets at the end of fiscal year 1999 amounted to \$66.8 million and there were 299 active and inactive participants.

The mission of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities and other benefits for members of the general assembly, certain elected state officials and their beneficiaries".

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

ADDITIONS TO PLAN NET ASSETS

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These revenue sources totaled \$12.797 million during the fiscal year ending June 30, 1999, which is a decrease from the amount of revenue reported for fiscal year 1998, shown as follows:

	1999 (Millions)	1998 (Millions)	Increase/(Decrease)	
			(Millions)	(Percentage)
Contributions:				
Participants	\$ 1.414	\$ 1.224	\$.190	15.5%
Employer	3.700	3.113	.587	18.9%
Investments	7.683	9.781	(2.098)	(21.4)%
Total Revenue	<u>\$ 12.797</u>	<u>\$ 14.118</u>	<u>\$ (1.321)</u>	<u>(9.4)%</u>

As indicated in the above schedule, the revenue decrease was attributable to a decrease in net investment income which was largely the result of a significant decrease in the net appreciation in the fair value of investments.

DEDUCTIONS FROM PLAN NET ASSETS

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for 1999 and 1998 are shown below for comparison purposes.

	1999 (Millions)	1998 (Millions)	Increase/(Decrease)	
			(Millions)	(Percentage)
Benefits:				
Retirement annuities	\$ 6.742	\$ 6.238	\$.504	8.1%
Survivors' annuities	1.592	1.541	.051	3.3%
Total Benefits Expenses	8.334	7.779	.555	7.1%
Refunds	.129	.083	.046	55.4%
Administrative expenses	.239	.228	.011	4.8%
Total Expenses	<u>\$ 8.702</u>	<u>\$ 8.090</u>	<u>\$.612</u>	<u>7.6%</u>

The increase in benefit payments resulted primarily from (1) a growth in the number of benefits paid, (2) an increase in the average benefit payment amount and (3) post retirement annuity increases granted each year.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes, using the "prudent person rule". This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The ISBI maintains a wide diversification of investments within this fund which serves to reduce overall risk and increase returns.

Income from investments has over the years, increasingly become a greater share of the total revenue to the System. Net investment income, combined with the net appreciation in the fair value of investments, amounted to \$7.7 million during fiscal year 1999, a decrease of \$2.1 million from fiscal year 1998. For fiscal year 1999, total net investments revenue represents approximately 60.0% of the System's total fund revenue.

For fiscal year 1999, the total investment return on the market value of assets managed by the ISBI was 12.9%. The ISBI's total investment return over the last three and five years was 16.6% and 16.1%, respectively.

A detailed discussion of investment performance and strategies is provided in the Investment Section of this report. Information regarding investment professionals providing services to the ISBI can be found in the separately issued ISBI annual financial report. To receive a copy of the ISBI annual financial report, please refer to the ISBI's address which is provided in the Investment Section of this report.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

Senate Bill 533, which was signed into law by former Governor Edgar on August 22, 1994 as Public Act 88-0593, enacted a new funding plan for the System. The financing objective of this funding plan requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll. For those fiscal years up through 2010, the required state contributions are to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045. In addition, the funding legislation also provided for the establishment of a continuing appropriation of the required state contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

The actuarial determined liability of the System using the projected unit credit actuarial cost method at June 30, 1999, amounted to \$160.9 million. The actuarial value of assets (at fair value) amounted to \$66.8 million as of the same date.

A detailed discussion of funding is provided in the Actuarial Section of this report.

MAJOR INITIATIVES

During fiscal year 1999, the System continued parallel processing a newly developed automated benefit calculation system which, in addition to providing automated benefit calculations, also provides for (a) updates to the automated benefit master file, (b) first benefit payment letters which explain to the annuitant or survivor the benefit payment and its tax consequences, and (c) various management reports. In addition, the System also mailed an annual benefit statement and two "SOLON" newsletters to each participant, annuitant and survivor.

The System also developed a comprehensive Year 2000 compliance program which included a review of all internal computer application and information systems, physical facilities, equipment, as well as products and services provided by third parties. All of the reviews and testing phases have been completed and all computer applications and systems, physical facilities, and equipment are believed to be Year 2000 compliant. Additionally, numerous third parties were contacted to assess and monitor their Year 2000 compliance efforts, with particular emphasis placed on "critical" business partners.

During fiscal year 2000, the System will continue to evaluate the feasibility of enhancing the annual active benefit statement to include a reciprocal system benefit estimate for those participants who have service in another reciprocal system. Additionally, the System will also continue to offer pre-retirement, post-retirement and one-on-one counseling seminars at various locations throughout the state.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made. The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements. In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. Tax consulting services are provided by the accounting firm of KPMG Peat Marwick, LLP, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of Thomas Havey, LLP under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the General Assembly Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law. The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1998. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

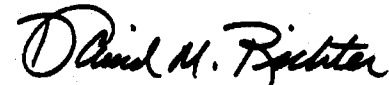
A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended June 30, 1989 through June 30, 1998). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the participants in the State of Illinois. On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,


Michael L. Mory
Executive Secretary

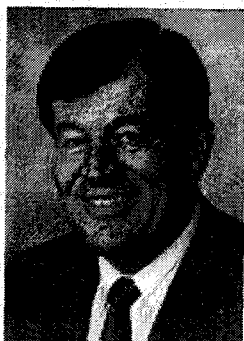

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Accounting Division



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

General Assembly
Retirement System,
State of Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Cary Brubaker
President

Jeffrey L. Esler
Executive Director

FINANCIAL SECTION

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 - Notes to Required Supplementary Information
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 - Summary Schedule of Cash Receipts and Disbursements
 - Schedule of Payments to Consultants

THOMAS
HAVEY
LLP

INDEPENDENT AUDITORS' REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System of Illinois
Springfield, Illinois

As Special Assistant Auditors for the Auditor General we have audited the accompanying statement of plan net assets as of June 30, 1999 of the General Assembly Retirement System of Illinois and the statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the General Assembly Retirement System of Illinois as of June 30, 1998, were audited by other auditors whose report dated October 30, 1998, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Assembly Retirement System of Illinois as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 1999 on our consideration of the General Assembly Retirement System of Illinois' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

The Schedule of Funding Progress, the Schedule of Employer Contributions and the Year 2000 Readiness note are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. In addition, we do not provide assurance that the System is or will become year 2000 compliant, that the System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become year 2000 compliant.

The Summary of Revenues by Source, Summary Schedule of Cash Receipts and Disbursements and the Schedule of Payments to Consultants are not a required part of the financial statements but are supplementary financial information presented for additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The schedules in the investments, actuarial and statistical sections have not been audited and therefore we do not express an opinion on them.

October 29, 1999

Thomas Havey LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Plan Net Assets June 30, 1999 and 1998

	1999	1998
Assets		
Cash	<u>\$ 1,657,356</u>	<u>\$ 1,643,053</u>
Receivables:		
Participants' contributions	-	856
Irrevocable tax deferred installment agreements	5,170	4,161
Interest on cash balances	<u>6,622</u>	<u>7,824</u>
Total Receivables	<u>11,792</u>	<u>12,841</u>
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	65,253,933	61,160,683
Equipment, net of accumulated depreciation	<u>5,632</u>	<u>6,583</u>
Total Assets	<u>66,928,713</u>	<u>62,823,160</u>
Liabilities		
Administrative expenses payable	29,892	27,662
Due to Judges' Retirement System of Illinois	56,672	50,124
Participants' deferred service credit accounts	<u>9,641</u>	<u>7,784</u>
Total Liabilities	<u>96,205</u>	<u>85,570</u>
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 24)	<u>\$ 66,832,508</u>	<u>\$ 62,737,590</u>
See accompanying notes to financial statements.		

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Changes in Plan Net Assets Years Ended June 30, 1999 and 1998

	1999	1998
Additions:		
Contributions:		
Participants	\$ 1,413,676	\$ 1,224,533
Employer	3,699,758	3,113,000
Total Contributions	<u>5,113,434</u>	<u>4,337,533</u>
Investments:		
Net investment income	1,815,258	2,103,208
Net appreciation in fair value of investments	5,868,376	7,677,607
Total Net Investment Income	<u>7,683,634</u>	<u>9,780,815</u>
Total Additions	<u>12,797,068</u>	<u>14,118,348</u>
Deductions:		
Benefits:		
Retirement annuities	6,742,033	6,238,415
Survivors' annuities	1,591,631	1,541,027
Total Benefits	<u>8,333,664</u>	<u>7,779,442</u>
Refunds of contributions	129,369	83,392
Administrative expenses	<u>239,117</u>	<u>227,575</u>
Total Deductions	<u>8,702,150</u>	<u>8,090,409</u>
Net Increase	<u>4,094,918</u>	<u>6,027,939</u>
Net assets held in trust for pension benefits:		
Beginning of year	<u>62,737,590</u>	<u>56,709,651</u>
End of year	<u>\$ 66,832,508</u>	<u>\$ 62,737,590</u>

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements June 30, 1999 and 1998

(1) Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which includes the President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal year 1999 and 1998 were each less than \$60,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

(2) Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

At June 30, 1999 and 1998, the System membership consisted of:

	1999	1998
Retirees and beneficiaries		
currently receiving benefits:		
Retirement annuities	224	218
Survivors' annuities	127	125
Reversionary annuities	3	3
	<u>354</u>	<u>346</u>
Inactive participants entitled		
to benefits but not yet		
receiving them	118	113
Total	<u>472</u>	<u>459</u>
Current participants:		
Vested	132	126
Nonvested	49	55
Total	<u>181</u>	<u>181</u>

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System.

(a) Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

(b) Contributions

In accordance with Chapter 40 Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
<u>11.5%</u>	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service. The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

(c) Benefits

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62. The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump-sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the participants' final rate of salary.

3.0%	for each of the first 4 years of service, plus
3.5%	for each of the next 2 years of service, plus
4.0%	for each of the next 2 years of service, plus
4.5%	for each of the next 4 years of service, plus
5.0%	for each year of service in excess of 12 years

The maximum retirement annuity payable is 85% of the final rate of salary.

(3) Summary of Significant Accounting Policies and Plan Asset Matters**(a) Basis of Accounting**

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Participant and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan. The System has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB Pronouncements.

(b) Cash and Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available

cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The ISBI's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund. The ISBI reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of June 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled equity funds the net asset value is determined and certified by the commingled equity fund manager as of June 30. Fair value for directly owned real estate investments is determined by appraisals. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake. The ISBI does not have any one investment which represents 5 percent or more of the ISBI's net assets.

The ISBI participates in a securities lending program at its custodian bank, whereby securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the ISBI's securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper and government securities having a market value equal to or greater than the securities loaned. There are no provisions for ISBI indemnification on the securities lending transactions. As of June 30, 1999 and 1998 the ISBI had outstanding loaned investment securities having market values of \$857,389,887 and \$1,104,715,301, respectively; against which it had received collateral with values of \$884,629,896 and \$1,140,181,704, respectively.

The ISBI's global and international managers invest in derivative securities. During the year, the ISBI's derivative investments included forward foreign currency contracts, futures, and options. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios. The remaining derivative securities are used to improve yields, or to hedge changes in interest rates.

The ISBI also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

For additional information regarding the ISBI's investments, please refer to the Annual Report of the ISBI as of June 30, 1999. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

The System owns approximately 1.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 1999.

ISBI investments, as categorized by ISBI, are categorized to indicate the level of risk assumed by the ISBI at year end. Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI's name. Category II includes uninsured and unregistered investments with the securities held by the counterparty's agent in the ISBI's name. Category III includes uninsured and unregistered investments with the securities held by the counterparty but not in the ISBI's name. Investments in pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At June 30, 1999, the ISBI's investments were categorized as follows:

	Fair Value	Category I	Non Categorized
U.S. Government & Agency Obligations	\$ 1,081,840,850	\$ 1,081,840,850	\$
Foreign Obligations	43,324,091	43,324,091	
Corporate Obligations	476,507,428	476,507,428	
Convertible Bonds	10,802,791	10,802,791	
Common Stock & Equity Funds	3,946,786,728	2,186,213,699	1,760,573,029
Convertible Preferred Stock	34,850,689	34,850,689	
Preferred Stock	25,085,532	25,085,532	
Foreign Equity Securities	1,714,207,025	1,706,333,162	7,873,863
Real Estate Funds	216,350,722	3,575,325	212,775,397
Alternative Investments	355,128,394		355,128,394
Money Market Instruments	421,186,286		421,186,286
Forward Foreign Exchange Contracts	442,111	442,111	
Total Investments	\$ 8,326,512,647	\$ 5,568,975,678	\$ 2,757,536,969

(c) Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was last performed as of June 30, 1997.

(d) Administrative Expenses

Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved by the System's Board of Trustees. Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System. Invoices/ vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 1999 and 1998, were \$197,145 and \$181,821, respectively.

(e) Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

(4) Funding - Statutory Contributions Required and Contributions Made

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method.

For fiscal years 1999 and 1998, the required employer contributions were computed in accordance with Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%. In addition, the funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal years 1999 and 1998 were \$3,504,000 and \$3,113,000, respectively. The total amount of employer contributions received from the state during fiscal years 1999 and 1998 were \$3,592,018 and \$3,113,000, respectively.

(5) Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 1999 and 1998 is as follows:

	1999	1998
Personal services	\$ 131,022	\$ 125,042
Employee retirement contributions paid by employer	5,252	5,012
Employer retirement contributions	12,511	8,144
Social Security contributions	8,917	8,620
Group insurance	11,899	10,873
Contractual services	51,833	55,593
Travel	1,970	1,185
Printing	3,664	3,061
Commodities	351	421
Telecommunications	1,424	1,500
Electronic data processing	6,048	6,024
Depreciation	2,333	2,685
Other	1,893	(585)
Total	\$ 239,117	\$ 227,575

(6) Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

A summary of the changes in fixed assets for fiscal years 1999 and 1998 is as follows:

	Beginning Balance	1999		Ending Balance
		Additions	Deletions	
Equipment	\$ 33,529	\$ 1,382	\$ (4,126)	\$ 30,785
Accumulated depreciation	(26,946)	(2,333)	4,126	(25,153)
Equipment, net	\$ 6,583	\$ (951)	\$ -	\$ 5,632

	Beginning Balance	1998		Ending Balance
		Additions	Deletions	
Equipment	\$ 34,415	\$ 240	\$ (1,126)	\$ 33,529
Accumulated depreciation	(25,387)	(2,685)	1,126	(26,946)
Equipment, net	\$ 9,028	\$ (2,445)	\$ -	\$ 6,583

(7) Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 1999 and 1998 total \$26,541 and \$24,648, respectively and are included in administrative expenses payable.

(8) Analysis of Changes in Reserve Balances

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

(a) Reserve for Participants' Contributions -

This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

(b) Reserve for Future Operations -

This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS
Statements of Changes in Reserve Balances
Years Ended June 30, 1999 and 1998

	<u>Participants'</u> <u>Contributions</u>	<u>Future</u> <u>Operations</u>	<u>Total</u> <u>Reserve</u> <u>Balances</u>
Balance at June 30, 1997	\$ 11,911,785	\$ 44,797,866	\$ 56,709,651
Add (deduct):			
Excess (deficiency) of			
revenues over expenses	1,141,140	4,886,799	6,027,939
Reserve transfers:			
Accumulated contributions			
of participants who retired			
or died with an eligible			
survivor during the year	(141,181)	141,181	-
Balance at June 30, 1998	12,911,744	49,825,846	62,737,590
Add (deduct):			
Excess (deficiency) of			
revenues over expenses	1,392,046	2,702,872	4,094,918
Reserve transfers:			
Accumulated contributions			
of participants who retired			
or died with an eligible			
survivor during the year	(1,365,276)	1,365,276	-
Balance at June 30, 1999	<u>\$ 12,938,514</u>	<u>\$ 53,893,994</u>	<u>\$ 66,832,508</u>

(9) Pension Plan

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System ("SERS"), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system ("PERS") in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal years 1999 and 1998 are included in the State of Illinois' Comprehensive Annual Financial Report ("CAFR") for the years ended June 30, 1999 and 1998, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling (217)785-7202. The State of Illinois' CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling (217)782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal years 1999 and 1998 the employer contribution rates were 9.528% and 6.500%, respectively. Effective for pay periods beginning after December 31, 1991, the state opted to pay the employee portion of retirement for most state agencies with employees covered by the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employee retirement was part of the fiscal years 1999 and 1998 budget process and was, in part, a substitute for salary increases. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and state agencies. Currently, state officers, judges, general assembly members, and state university employees are not eligible for the employee pickup.

Other Post-Employment Benefits. In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System. Substantially all state employees including the System's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the years ended June 30, 1999 and June 30, 1998. However, post-employment costs for the state as a whole for all state agencies / departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the State of Illinois' Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

Schedule of Funding Progress ⁽¹⁾

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/97	\$56,709,651	\$143,836,605	\$87,126,954	39.4%	\$9,362,000	930.6%
6/30/98	62,737,590	150,408,448	87,670,858	41.7	10,005,000	876.3
6/30/99	66,832,508	160,870,755	94,038,247	41.5	10,467,000	898.4

Schedule of Employer Contributions ⁽¹⁾

Year Ended June 30	Annual Required Contribution per GASB Statement #25 ⁽²⁾	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1997	\$4,939,052	55.4%	\$2,738,000	100.0%
1998	5,318,505	58.5	3,113,000	100.0
1999	6,092,002	60.7	3,504,000	105.6

(1) The required Schedules of Funding Progress and Employer Contributions are to include information for the current year and as many of the prior years as information according to the parameters stipulated in GASB Statement No. 25 is available. The schedules should not include information that does not meet the parameters. The System has only three years of information which does meet the requirements of the parameters, therefore, that is all the information which is presented.

(2) Governmental Accounting Standards Board Statement No. 25 entitled "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," issued November 1994.

Notes to Required Supplementary Information

Valuation date June 30, 1999

Actuarial cost method Projected Unit Credit

Amortization method:

- a) For GASB Statement No. 25 reporting purposes Level percent of payroll
- b) Per state statute 15-year phase-in to a level percent of payroll until a 90% funding level is achieved

Remaining amortization period:

- a) For GASB Statement No. 25 reporting purposes ... 40 years, open
- b) Per state statute 46 years, closed

Asset valuation method Fair Value

Actuarial assumptions:

- Investment rate of return 8.0 percent per year, compounded annually
- Projected salary increases 6.5 percent per year, compounded annually
- Assumed inflation rate 4.0 percent
- Group size growth rate 0.0 percent
- Post-retirement increase 3.0 percent per year, compounded annually

Year 2000 Readiness

The System has developed a comprehensive Year 2000 plan that includes the following stages: awareness, assessment, hardware and software remediation, and testing. The System has substantially completed all phases. The review has included a review of internal computer applications and information systems, facilities and equipment, as well as products and services provided by third parties. Remediation and testing activities for the System's operating divisions have been completed and all computer applications and systems are believed to be Year 2000 compliant. Computer programs utilized in the daily operations of the System's physical facilities and equipment have also been reviewed for compliance. Additionally, numerous third parties have been contacted to assess and monitor their compliance and remediation efforts, with particular emphasis placed on critical business partners. The estimated costs of the Year 2000 compliance program are not material to the System's operating results or financial position.

The System is supplementing existing emergency recovery plans with Year 2000-specific procedures to mitigate the impact of any unsuccessful remediation or third party failures. Management believes that the diversity of the System's operations and systems reduces overall exposure and expects that the consequences of any unsuccessful remediation will not be significant. However, there can be no assurance that the System's efforts or those of other entities will be successful, or that any potential failure would not have a material adverse effect on the System's operating results or financial condition.

SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 1999 and 1998

	1999	1998
Contributions:		
Participants	\$ 1,340,571	\$ 1,214,825
Interest paid by participants	52,095	5,234
Repayment of refunds	-	4,474
Transferred from reciprocating systems	21,010	-
Total participants' contributions	1,413,676	1,224,533
General Revenue Fund	3,097,300	2,852,300
State Pension Fund	494,718	260,700
Paid by participants	107,740	-
Total employer contributions	3,699,758	3,113,000
Total contributions revenue	5,113,434	4,337,533
Investments:		
Net investment income	1,815,258	2,103,208
Net appreciation in fair value of investments	5,868,376	7,677,607
Total net investment revenue	7,683,634	9,780,815
Total Revenue	\$ 12,797,068	\$ 14,118,348

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 1999 and 1998

	1999	1998
Cash balance, beginning of year	\$ 1,643,053	\$ 2,113,679
Receipts:		
Participant contributions	1,384,435	1,213,416
Employer contributions:		
General Revenue Fund	3,097,300	2,852,300
State Pension Fund	494,718	260,700
Paid by participants	107,740	-
Receipts from reciprocal systems	21,010	-
Interest income on cash balances	91,586	96,381
After tax installment payments	1,856	1,856
Tax deferred installment payments	8,078	6,186
Cancellation of annuities	28,345	19,050
Transfers from Illinois State Board of Investment	3,500,000	3,200,000
Miscellaneous	-	6
Total cash receipts	8,735,068	7,649,895
Disbursements:		
Benefit payments:		
Retirement annuities	6,749,946	6,238,817
Survivors' annuities	1,595,460	1,548,240
Refunds	145,973	94,913
Administrative expenses	229,386	238,551
Total cash disbursements	8,720,765	8,120,521
Cash balance, end of year	\$ 1,657,356	\$ 1,643,053

SCHEDULE OF PAYMENTS TO CONSULTANTS

Years Ended June 30, 1999 and 1998

	1999	1998
Actuary	\$ 13,000	\$ 13,000
Audit fees	10,870	10,826
Tax consultant	1,500	1,500
Total	\$ 25,370	\$ 25,326

INVESTMENT SECTION

- * Investment Report
- * Investment Portfolio Summary
- * Analysis of Investment Performance
- * Additional Investment Information

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state. In addition to the assets of the General Assembly Retirement System, the ISBI also manages the investment function for the State Employees' and Judges' Retirement Systems. All ISBI investments are accounted for in a commingled fund (ISBI Fund). As of June 30, 1999, total net assets under management valued at market, amounted to \$8.309 billion. Of the total market value of assets under management, \$65.3 million or approximately 1% represented assets of the General Assembly Retirement System.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firm and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report.

Management Approach

The ISBI manages its investments in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI has established a long-range investment policy which, in line with the prudent person rule, affirms that the ISBI Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the ISBI Fund, within prudent risk parameters. Further, it is the ISBI's philosophy that the assets owned by the participating systems and managed by the ISBI are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries. In line with this philosophy, the ISBI from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

The investment policy of the ISBI establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. The policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies. Based on the bi-annual investment policy review, the ISBI implemented a number of changes to its strategic asset allocation, effective at the start of fiscal year 1999. A comparison of the amended and previous strategic asset allocation targets is shown below.

	FY1999	FY1998
U.S. Equity	45.0%	35.0%
Global Equity	0.0	10.0
International Equity	20.0	10.0
Fixed Income	25.0	35.0
Real Estate	5.0	5.0
Alternative Investments	5.0	5.0
Total	100.0%	100.0%

Specifically, the target for U.S. equity was increased from 35% to 45%, with a corresponding decrease in fixed income from 35% to 25%. In addition, global equity was eliminated as a separate category, while the allocation target for international equity was increased from 10% to 20%. The allocation targets for real estate and alternative investments remained unchanged.

Investment Results

In spite of a rocky start for most capital markets in fiscal year 1999, an explosive rally towards the end of the fiscal year resulted in double digit returns for the ISBI Fund. The ISBI Fund earned a total rate of return for fiscal year 1999, net of expenses, of 12.9%. This was well ahead of its long-term objectives of exceeding the 8.0% assumed actuarial interest rate. The return was slightly below the policy weighted benchmark return of 13.6%. The average annual rates of return for the three and five year periods ended June 30, 1999, were 16.6% and 16.1%, respectively.

U.S. Equities

For the twelve months ended June 30, 1999, U.S. equity markets continued their upward climb. Fiscal year 1999 is the fifth consecutive fiscal year in which U.S. equity markets, driven largely by large capitalization growth and technology oriented companies, have posted returns in excess of 20%. Small capitalization stocks, following the pattern set in the four previous fiscal years, grew at a significantly slower rate.

During fiscal year 1999, the ISBI implemented the strategic asset allocation increase in U.S. equities from 35% to 45% of the total portfolio. The source of funds was the fixed income portfolio, which had an equal strategic decrease. Also in response to the strategic policy review, the ISBI changed the benchmark for this asset class to the Russell 3000 Index from the BARRA All-U.S. Index.

The ISBI's U.S. equity portfolio performance versus the S&P 500 Stock Index and the Russell 3000 Index is as follows:

	1 Year	3 Years	5 Years
ISBI	17.3%	23.7%	23.7%
S&P 500 Stock Index	22.7	29.1	27.9
Russell 3000 Index	20.1	26.4	26.0

International Equities

Foreign stock markets' results were mixed for the fiscal year, overall lagging the U.S. market. In contrast to the previous fiscal year, Japanese and emerging market returns were generally strong, while European country returns were lackluster. A strengthening dollar further dampened foreign stock returns for U.S. investors.

The ISBI significantly restructured the international equity portfolio during fiscal year 1999. In response to the changes mandated by the strategic investment policy review, the ISBI eliminated "global" equities as an asset class and consolidated all assets as international equities. As a result, international managers can invest only in foreign securities; they no longer have discretion to invest tactically in the U.S. markets. Also, in recognition of the role of emerging markets, the ISBI changed the asset class benchmark from the MS Europe Australia Far East Index, which excludes emerging markets, to the broader MS-AC Free ex US Index.

Comparative average annual rates of return for the International equities portfolio versus the market index benchmark is shown below:

	1 Year	3 Years	5 Years
ISBI	8.6%	11.6%	12.1%
MS-AC Free ex US Index	9.5	8.2	8.0

Fixed Income

During fiscal year 1999, U.S. fixed income markets were weak, with interest rates heading higher. The Lehman Aggregate Bond Index earned 3.1% for the twelve month period. High yield bonds, as represented by the Merrill Lynch High Yield Index, were hurt by widening spreads and only returned 0.9%.

Substantially all fixed income assets are managed internally, except approximately \$100 million allocated to an external high yield bond manager. The internal account was in line with the Lehman Aggregate Bond Index, with a return of 3.2%. Modestly higher returns from the external high yield manager resulted in a total fixed income return of 3.4%.

Comparative average annual rates of return for the total fixed income portfolio versus the market index benchmark is shown below:

	1 Year	3 Years	5 Years
ISBI	3.4%	7.9%	8.4%
Lehman Aggregate Bond Index	3.1	7.2	7.8

Real Estate

The ISBI's current real estate policy seeks higher return real estate opportunities while controlling for risk. Therefore, new investments generally fall in the value added or opportunistic categories. All of ISBI's investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments.

Real estate continued to provide solid returns during fiscal year 1999, with the NCREIF Real Estate Index earning 15.6%. ISBI's real estate investments earned a more modest 5.5%. Fiscal year 1999 was a transition year for ISBI's real estate portfolio. A significant number of older investments were liquidated. In addition, the ISBI continued its steady pace of new commitments in order to reach the 5% allocation goal.

Average annual rates of return for the combined real estate portfolio compared to the market benchmark for unleveraged institution grade property returns is shown below:

	1 Year	3 Years	5 Years
ISBI	5.5%	14.4%	9.8%
NCREIF Real Estate Index	15.6	14.3	11.9

Alternative Investments

The alternative investments portfolio consists of passive interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities.

Fiscal year 1999 proved to be another good year for alternative investments. A strong initial public offering (IPO) market allowed a number of portfolio companies to gain access to the auction markets, thereby producing liquidity and/or actual cash returns to the ISBI. Overall, ISBI's alternative investments portfolio earned 18.0% for the fiscal year. This compares favorably to the new benchmark, as defined in the amended strategic investment policy, which is an absolute annual return of 12%.

The ISBI made commitments totaling \$133 million to five limited partnerships in fiscal year 1999. Although the current allocation to this asset class is not significantly below the long-term target, in order to maintain the level of investment, new commitments are necessary over time to balance the anticipated distributions from maturing partnerships. The ISBI is also seeking to better diversify the portfolio, which currently is heavily weighted to buyouts and Kohlberg Kravis Roberts (KKR) leveraged buyout limited partnerships in particular. The new partnerships are GTCR VI; Warburg Pincus VI; InterWest VII; Weiss, Peck & Greer V, and Madison Dearborn III.

Management Expenses

Total expenses for the fiscal year were \$15,912,548, compared to \$15,091,365 for the previous fiscal year. The 5% expense increase compares to a growth in investment assets of over 12%. Asset based fees to external managers represent the primary component of operating expenses. Actual expenses will increase as assets increase, but at a lower rate due to volume discounts. In addition, ISBI expanded its use of index funds, which have lower fees than traditional investment management. The resulting expense ratio (expenses divided by average net assets under management) was .21% in fiscal year 1999, compared to the .22% expense ratio in fiscal year 1998.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1999. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1999		June 30, 1998	
	Market Value	Percentage	Market Value	Percentage
Fixed Income ¹	\$ 1,612,475,160	19.4%	\$ 1,961,870,817	26.6%
Equities	4,006,722,949	48.2	3,065,769,285	41.5
Foreign Equities	1,714,207,025	20.6	1,083,783,967	14.7
Real Estate	216,350,722	2.6	250,823,177	3.4
Non-Marketable ²	355,128,394	4.3	361,780,824	4.9
Forward Foreign Exchange Contracts	442,111	-	(306,533)	-
Options	-	-	8,760	-
Cash equivalents ³	403,633,705	4.9	656,179,130	8.9
	<u>\$ 8,308,960,066</u>	<u>100.0%</u>	<u>\$ 7,379,909,427</u>	<u>100.0%</u>

¹Maturities of one year or longer, including convertible bonds.

²Interests in limited partnerships and other entities which have limited liquidity.

³Cash Equivalents includes other assets, less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE⁽¹⁾

	1999	1998	1997	1996	1995
Total Return* - Past 3 years		16.6%			
Total Return* - Past 5 years			16.1%		
Total Return* - year by year	12.9%	18.1%	18.8%	16.6%	14.0%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	2.8%	3.4%	3.9%	4.0%	4.7%
Comparative rates of return on fixed income securities					
Total fixed income - ISBI	3.4%	11.1%	9.5%	6.6%	11.9%
Comparison index: Shearson Lehman Aggregate	3.1%	10.5%	8.2%	5.0%	12.6%
Comparative rates of return on equities					
Domestic equities - ISBI	17.3%	27.6%	26.3%	25.9%	21.5%
Comparison index: S&P 500	22.7%	30.2%	34.6%	26.1%	26.1%

⁽¹⁾ The Northern Trust Company, the ISBI's master custodian, provides performance rates of return by portfolio, portfolio aggregation and the respective indices in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

* Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations for fiscal years 1999 and 1998:

	1999	1998	Increase/(Decrease)	
			Amount	Percentage
Balance at beginning of year, at fair value	\$ 61,160,683	\$ 54,674,448	\$ 6,486,235	11.9%
Cash transferred from ISBI (net)	(3,500,000)	(3,200,000)	300,000	9.4%
Net ISBI investment revenue:				
ISBI Commingled Fund income	1,852,422	2,136,007	(283,585)	(13.3)%
Less ISBI Expenses	(127,548)	(127,379)	169	.1%
Net ISBI investment income	1,724,874	2,008,628	(283,754)	(14.1)%
Net appreciation in fair value of ISBI investments	5,868,376	7,677,607	(1,809,231)	(23.6)%
Net ISBI investment revenue	7,593,250	9,686,235	(2,092,985)	(21.6)%
Balance at end of year, at fair value	<u>\$ 65,253,933</u>	<u>\$ 61,160,683</u>	<u>\$ 4,093,250</u>	<u>6.7%</u>

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 1999 was \$90,384 compared to \$94,580 during FY 1998.

ACTUARIAL SECTION

- * Actuary's Certification Letter
- * Introduction
- * Actuarial Cost Method and Summary of Major Actuarial Assumptions
- * Summary of and Changes to the Plan Provisions
- * Valuation Results
- * Short-term Solvency Test
- * Summary of Accrued and Unfunded Accrued Liabilities (Analysis of Funding)
- * Reconciliation of Unfunded Actuarial Liability
- * Schedule of Retirants and Survivors' Annuitants Added To and Removed From Rolls
- * Schedule of Active Member Valuation Data

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October 6, 1999

Board of Trustees and Executive Secretary
General Assembly Retirement System of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the General Assembly Retirement System of Illinois as of June 30, 1999. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the date of the last actuarial valuation, House Bill 3515, which was signed into law on August 14, 1998 as Public Act 90-0766, made some relatively minor changes in the benefit provisions of the system. These changes did not have an impact on the results of the June 30, 1999 actuarial valuation.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend, as a result of such investigation, the actuarial assumptions to be adopted. As the actuary, we have completed such an experience analysis for the five-year period 1991-1996. Based on this experience analysis, we recommended actuarial assumptions which were adopted by the system's board effective June 30, 1997 and which were used for the current valuation. We believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

Public Act 88-0593, signed into law on August 22, 1994, established the current funding plan for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

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Consulting Actuaries

Based on the June 30, 1999 actuarial valuation, we have determined the required State contribution under this funding plan for fiscal year 2001. We have also estimated the required State contributions for future years.

The system's current funding plan does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the current valuation, the market value of the assets of the system, less the amount of liabilities, was used.

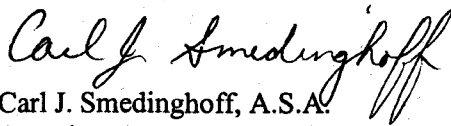
The actuarial liabilities have been valued on the basis of membership data, which is supplied by the administrative staff of the system and verified by the system's auditors. We have made additional tests to ensure its accuracy.

In our opinion, the information presented herein fairly presents the financial condition of the General Assembly Retirement System of Illinois as of June 30, 1999. We prepared the accompanying Actuarial Cost Method and Summary of Major Actuarial Assumptions. The staff of the retirement system prepared the other supporting schedules in this section and the trend tables in the financial section, based on information contained in our actuarial reports.

Respectfully submitted,



Sandor Goldstein, F.S.A.
Consulting Actuary



Carl J. Smedinghoff, A.S.A.
Associate Actuary

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount required to be paid to the System by the state during the succeeding fiscal year. The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements, pursuant to Chapter 40, Section 5/2-146 of the Illinois Compiled Statutes.

In August, 1994, then Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For fiscal years 1999 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

The amortization period required by the state's funding plan, as described above, does not meet the parameters of GASB Statement No. 25.

Most importantly, the funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

Although long-term in nature, we believe that this legislation has been an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

For fiscal years 1999 and 1998, the System received the actuarially determined employer contributions in accordance with the state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan established by Public Act 88-0593.

A description of the actuarial assumptions utilized for fiscal year 1999 and fiscal year 1998 follows:

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 1997.

Mortality Rates: Active and retired members: The UP-1994 Mortality Table for Males, rated up 2 years.
Spouses: The UP-1994 Mortality Table for Females, rated up 1 year.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

Age	Rate of Termination
20 - 65	.090
66 and over	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 80 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.18
60	.16
65	.17
70	.20
75	.20
80 and over	1.00

The above retirement rates are equivalent to an average retirement age of approximately 64.

Salary Increase: A salary increase assumption of 6.5% per year (consisting of a general increase component of 5% per year, 4.0% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.0% per year and a real rate of return component of 4.0% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary during the valuation process.

VALUATION RESULTS

Actuarial Liability (Reserves)	June 30, 1999	June 30, 1998
For Active Participants:		
Basic retirement annuity	\$ 21,588,205	\$ 21,917,024
Annual increase in retirement annuity	6,193,801	6,288,683
Pre-retirement survivors' annuity	2,015,732	1,997,799
Post-retirement survivors' annuity	3,252,905	3,190,708
Withdrawal benefits	6,900,302	7,087,779
Disability benefits	151,365	159,326
Total	40,102,310	40,641,319
For Participants Receiving Benefits:		
Retirement annuities	77,948,249	69,828,389
Survivor annuities	13,502,958	12,979,243
Total	91,451,207	82,807,632
For Inactive Participants	29,317,238	26,959,497
Total Actuarial Liability	160,870,755	150,408,448
Net Assets, Fair Value	66,832,508	62,737,590
Unfunded Actuarial Liability	\$ 94,038,247	\$ 87,670,858

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

Fiscal Year	Aggregate Accrued Liabilities For				Net Assets Available for Benefits*	Percentage of Accrued Liabilities Covered By Net Real Assets		
	(1)	(2)	(3)	(1)		(2)	(3)	
	Active and Inactive Participant Contributions	Retirement and Survivor Annuitants	Active and Inactive Participants (Employer Financed Portion)					
1990	\$ 8,237,231	\$ 41,411,576	\$ 28,974,830	\$ 33,442,677	100.0%	60.9%	0.0%	
1991	8,959,880	44,998,342	30,510,207	35,142,093	100.0	58.2	0.0	
1992	10,098,012	48,987,293	29,452,024	37,618,218	100.0	56.2	0.0	
1993	10,263,855	62,875,015	29,361,863	40,673,690	100.0	48.4	0.0	
1994	10,734,454	65,587,970	34,397,534	40,910,567	100.0	46.0	0.0	
1995	11,059,576	70,633,297	37,669,240	40,697,602	100.0	42.0	0.0	
1996	11,732,410	73,422,443	42,210,060	51,404,258	100.0	54.0	0.0	
1997	11,911,785	82,533,374	49,391,446	56,709,651	100.0	54.3	0.0	
1998	12,911,744	82,807,632	54,689,072	62,737,590	100.0	60.2	0.0	
1999	12,938,514	91,451,207	56,481,034	66,832,508	100.0	58.9	0.0	

*Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, Net assets are reported at cost (book value).

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Net Assets*	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1990	\$ 78,623,637	\$ 33,442,677	42.5%	\$ 45,180,960	\$ 7,254,510	622.8%
1991	84,468,429	35,142,093	41.6%	49,326,336	8,238,709	598.7%
1992	88,537,329	37,618,218	42.5%	50,919,111	8,432,000	603.9%
1993	102,500,733	40,673,690	39.7%	61,827,043	8,651,000	714.7%
1994	110,719,958	40,910,567	36.9%	69,809,391	8,597,000	812.0%
1995	119,362,113	40,697,602	34.1%	78,664,511	8,774,000	896.6%
1996	127,364,913	51,404,258	40.4%	75,960,655	8,825,000	860.7%
1997	143,836,605	56,709,651	39.4%	87,126,954	9,362,000	930.6%
1998	150,408,448	62,737,590	41.7%	87,670,858	10,005,000	876.3%
1999	160,870,755	66,832,508	41.5%	94,038,247	10,467,000	898.4%

* Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 99	FY 98
Unfunded actuarial liability at Beginning of FY	\$ 87,670,858	\$ 87,126,954
Employer contribution requirement of normal cost plus interest on the unfunded liability	8,998,269	8,823,203
Actual employer contribution for the year	3,699,758	3,113,000
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	5,298,511	5,710,203
(Decrease) in unfunded liability due to investment return greater than assumed	(2,808,175)	(5,394,158)
Increase in unfunded liability due to salary increases for inactive members	1,890,537	1,105,879
Increase/(Decrease) in unfunded liability due to salary increases higher/(lower) than assumed	+ 846,137	(1,338,977)
Increase in unfunded liability due to other sources	1,140,379	460,957
Total Actuarial (Gains)/Losses	1,068,878	(5,166,299)
Net Increase in unfunded liability for the year	= 6,367,389	543,904
Unfunded actuarial liability at End of FY	\$ 94,038,247	\$ 87,670,858

SCHEDULE OF RETIRANTS AND SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuityants				Survivors*				Total
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	
1990	199	3	6	196	126	3	5	124	320
1991	196	13	9	200	124	4	3	125	325
1992	200	12	8	204	125	13	7	131	335
1993	204	33	7	230	131	6	6	131	361
1994	230	5	13	222	131	11	8	134	356
1995	222	11	14	219	134	14	6	142	361
1996	219	7	10	216	142	7	12	137	353
1997	216	14	7	223	137	6	11	132	355
1998	223	2	7	218	132	4	8	128	346
1999	218	15	9	224	128	7	5	130	354

*Includes Reversionary annuities

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members			
	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1990	188	\$ 7,254,510	\$38,588	2.8%
1991	195	8,238,709	42,250	9.5%
1992	190	8,432,000	44,379	5.0%
1993	186	8,651,000	46,511	4.8%
1994	184	8,597,000	46,723	0.5%
1995	182	8,774,000	48,209	3.2%
1996	181	8,825,000	48,757	1.1%
1997	181	9,362,000	51,724	6.1%
1998	181	10,005,000	55,276	6.9%
1999	181	10,467,000	57,829	4.6%

STATISTICAL SECTION

- Asset Balances
- Liabilities and Reserve Balances
- Revenues by Source
- Expenses by Type
- Benefit Expenses by Type
- Number of Participants
- Termination Refunds
- Number of Recurring Benefit Payments
- Annuitants by Benefit Range (Monthly)
- Survivors by Benefit Range (Monthly)
- Number on Active Payrolls
- Retirement Annuitants Statistics and Average Monthly Benefits
- Active Retirees by State

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments*	Fixed Assets Net of Accumulated Depreciation	Total
1990	\$ 913,283	\$ 14,447	\$ 32,549,302	\$ 17,723	\$ 33,494,755
1991	728,538	15,235	34,440,112	19,082	35,202,967
1992	1,079,624	5,026	36,627,373	16,163	37,728,186
1993	2,159,819	485,485	38,094,187	17,184	40,756,675
1994	1,177,781	3,191	39,825,825	12,120	41,018,917
1995	1,693,213	8,941	39,081,113	9,384	40,792,651
1996	1,836,256	7,600	49,643,586	5,128	51,492,570
1997	2,113,679	9,625	54,674,448	9,028	56,806,780
1998	1,643,053	12,841	61,160,683	6,583	62,823,160
1999	1,657,356	11,792	65,253,933	5,632	66,928,713

* Investments are reported at fair value after fiscal year 1995. For all other fiscal years investments are reported at cost (book value).

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations*	Total
1990	\$ 52,078	\$ 8,237,231	\$ 25,205,446	\$ 33,494,755
1991	60,874	8,959,880	26,182,213	35,202,967
1992	109,968	10,098,012	27,520,206	37,728,186
1993	82,985	10,263,855	30,409,835	40,756,675
1994	108,350	10,734,454	30,176,113	41,018,917
1995	95,049	11,059,576	29,638,026	40,792,651
1996	88,312	11,732,410	39,671,848	51,492,570
1997	97,129	11,911,875	44,797,866	56,806,780
1998	85,570	12,911,744	49,825,846	62,823,160
1999	96,205	12,938,514	53,893,994	66,928,713

* The Reserve for Future Operations reflects investments reported at fair value after fiscal year 1995. For all other fiscal years, the Reserve for Future Operations reflects investments reported at cost (book value).

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Net Investment Revenue*	Total
		State of Illinois	Other Sources	Total		
1990	\$ 1,002,258	\$ 2,072,600	\$ 74,401	\$ 2,147,001	\$ 2,665,883	\$ 5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314
1993	2,498,833	2,201,000	510,285	2,711,285	3,517,628	8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433
1996	1,141,155	2,400,000	-	2,400,000	7,454,578	10,995,733
1997	1,285,985	2,738,000	49,074	2,787,074	9,021,348	13,094,407
1998	1,224,533	3,113,000	-	3,113,000	9,780,815	14,118,348
1999	1,413,676	3,592,018	107,740	3,699,758	7,683,634	12,797,068

* The Net Investment Revenue includes both realized and unrealized gains and losses on investments for fiscal years after 1995. For all other fiscal years, the Net Investment Revenue includes only realized gains and losses on investments.

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
1990	\$ 3,880,692	\$ 42,427	\$ 126,852	\$ 4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189
1993	5,314,381	154,283	203,610	5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398
1996	6,991,373	90,464	202,880	7,284,717
1997	7,368,818	206,666	213,530	7,789,014
1998	7,779,442	83,392	227,575	8,090,409
1999	8,333,664	129,369	239,117	8,702,150

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1990	\$ 3,163,616	\$ 717,076	\$ 3,880,692
1991	3,302,545	821,705	4,124,250
1992	3,666,601	991,533	4,658,134
1993	4,241,273	1,073,108	5,314,381
1994	4,942,821	1,188,675	6,131,496
1995	5,203,413	1,336,508	6,539,921
1996	5,561,571	1,429,802	6,991,373
1997	5,912,782	1,456,036	7,368,818
1998	6,238,415	1,541,027	7,779,442
1999	6,742,033	1,591,631	8,333,664

*Includes Reversionary annuities.

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1990	188	81	269
1991	195	79	274
1992	190	77	267
1993	186	107	293
1994	184	101	285
1995	182	114	296
1996	181	108	289
1997	181	113	294
1998	181	113	294
1999	181	118	299

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1990	1	\$ 21,890
1991	3	13,980
1992	-	-
1993	6	31,032
1994	4	13,064
1995	6	117,347
1996	1	3,641
1997	4	38,717
1998	2	29,846
1999	2	55,653

NUMBER OF RECURRING BENEFIT PAYMENTS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1990	196	121	3	320
1991	200	122	3	325
1992	204	128	3	335
1993	230	128	3	361
1994	222	131	3	356
1995	219	139	3	361
1996	216	134	3	353
1997	223	129	3	355
1998	218	125	3	346
1999	224	127	3	354

Annuitants by Benefit Range (Monthly) at June 30, 1999

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
\$ 1-500	25	25	11.2	11.2
501-1000	24	49	10.7	21.9
1001-1500	22	71	9.8	31.7
1501-2000	23	94	10.3	42.0
2001-2500	21	115	9.4	51.4
2501-3000	26	141	11.6	63.0
3001-3500	13	154	5.8	68.8
3501-4000	20	174	8.9	77.7
4001-4500	22	196	9.8	87.5
4501-5000	8	204	3.6	91.1
5001-5500	5	209	2.2	93.3
5501-6000	3	212	1.3	94.6
6001-6500	3	215	1.3	95.9
6501-7000	3	218	1.3	97.2
7000-7500	4	222	1.8	99.0
7501-8000	1	223	0.5	99.5
8001-8500	1	224	0.5	100.0

Survivors* by Benefit Range (Monthly) at June 30, 1999

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
\$ 1-500	46	46	35.4	35.4
501-1000	22	68	16.9	52.3
1001-1500	30	98	23.1	75.4
1501-2000	18	116	13.8	89.2
2001-2500	10	126	7.7	96.9
2501-3000	4	130	3.1	100.0

*includes reversionary annuities

NUMBER ON ACTIVE PAYROLLS

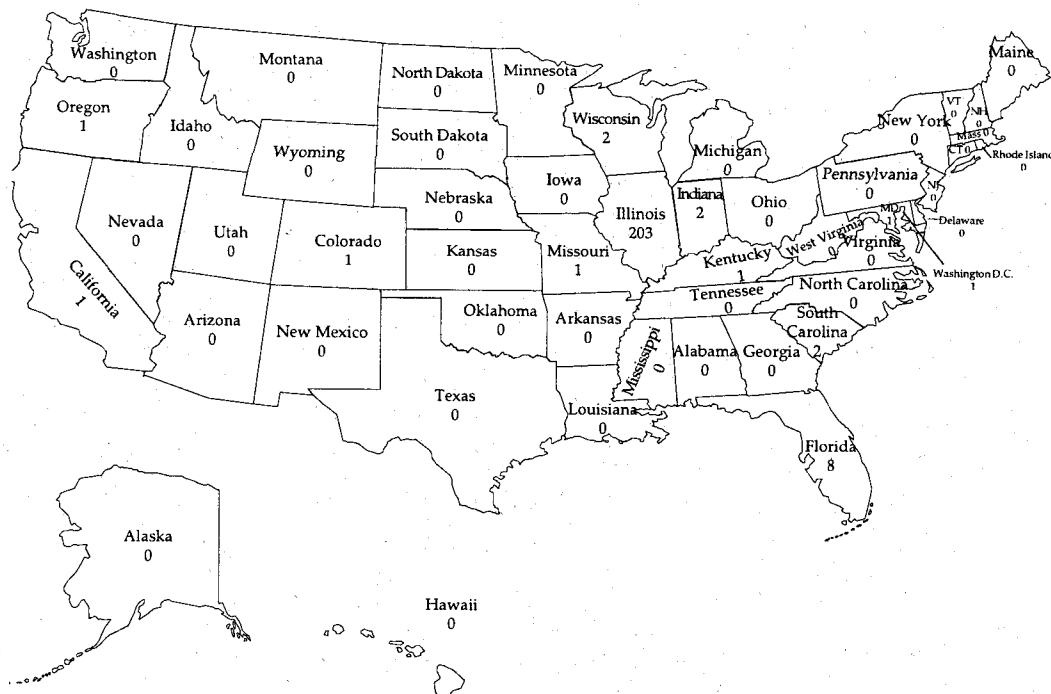
at June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1990	6	118	59	5	188
1991	6	118	59	12	195
1992	6	118	59	7	190
1993	6	118	59	3	186
1994	6	118	59	2	185
1995	6	118	59	-	183
1996	6	118	59	-	183
1997	6	118	59	-	183
1998	6	118	59	-	183
1999	6	118	59	-	183

RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

Fiscal Year Ended June 30	At Retirement			Average Current Monthly Benefit
	Average Age	Average Length of Service *	Average Current Age	
1990	60.1	13.5	70.3	\$1,359
1991	60.1	13.0	70.5	1,449
1992	60.0	12.7	70.5	1,526
1993	60.2	13.4	70.0	1,761
1994	59.9	13.2	70.2	1,880
1995	60.0	13.4	70.3	2,047
1996	59.8	13.4	70.5	2,175
1997	60.0	13.6	70.7	2,301
1998	59.8	13.7	71.4	2,399
1999	59.0	15.0	71.2	2,604

* in years

ACTIVE RETIREES BY STATE



PLAN SUMMARY AND LEGISLATIVE SECTION

- Plan Summary
- Legislation

SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 1999)

1. PURPOSE

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the cost of the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	<u>11.5%</u>

A participant who has no eligible survivor's annuity beneficiary may elect to not participate in the survivor's annuity provisions in which case the total participant contribution rate is 9.5% of salary.

5. RETIREMENT ANNUITY

A. Qualification of Participant

Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least 8 years of credit or at age 62 with at least 4 years of credit.

B. Amount of Annuity

Effective January 1, 1982, the retirement annuity is determined according to the following formula based on the applicable salary:

3.0% for each of the first 4 years of credit;
 3.5% for each of the next 2 years of credit;
 4.0% for each of the next 2 years of credit;
 4.5% for each of the next 4 years of credit;
 5.0% for each year of service in excess of 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment

Reversionary Annuity - A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity

Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year next following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday. For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 next following the date upon which the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

E. Suspension of Retirement Annuity

An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY**A. Qualification of Survivor**

If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 4 years of credit. To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment

If the participant's death occurs while in service, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children would receive the greater of 66-2/3% of the earned retirement annuity or 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family, unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity. The maximum a surviving spouse with eligible children would receive is 75% of the earned retirement annuity unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be \$300 per month.

C. Duration of Payment

When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age. A surviving spouse who remarries prior to attainment of age 55 would be disqualified for any future benefit payments.

D. Annual Increases in Survivors' Annuity

Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity. In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement

If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement

If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant

Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes permanently disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

A participant who has no eligible survivors is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

LEGISLATION

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 1999 having an impact on the System were:

House Bill 3515 (P.A. 90-0766; Effective August 14, 1998)

1. Provides that, in addition to eligible children of a participant or annuitant, unmarried children of an eligible spouse also qualify for a survivor's annuity if they are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student.
2. Allows a participant who has no eligible survivor's annuity beneficiary to elect to cease making contributions for the survivor's annuity. However, a survivor's annuity shall not be payable upon the death of the participant who has made this election unless, prior to the participant's death, the election is revoked and the amount of contributions that would have been paid to the System in the absence of such election is paid to the System together with interest at the rate of 4% per year from the date the contributions would have been made to the date of payment.
3. Provides that any provision requiring the payment of optional contributions by a stated date (rather than the date of withdrawal or retirement), shall be deemed to have been satisfied if (1) on or before the stated date the participant executes a valid irrevocable election to have the contributions made on a pre-tax basis through payroll deduction and, (2) the contributions are in fact paid to the System as provided in the election.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 1999, having an impact on the System were:

House Bill 1612 (P.A. 90-0731; Effective July 1, 1999)

1. Amends the general provisions of the Illinois Pension Code to provide for a method to recognize the existence of an alternate payee's right to receive all or a portion of a member's accrued benefits in a retirement system through the issuance of a Qualified Illinois Domestic Relations Order (QILDRO) pursuant to Section 503(b)(2) of the Illinois Marriage and Dissolution of Marriage Act.

